

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 02 NEW DELHI 008035

SIPDIS

SENSITIVE

E.O. 12958: N/A

TAGS: [PREL](#) [PTER](#) [PGOV](#) [ETRD](#) [IN](#) [PK](#) [INDO](#) [PAK](#)

SUBJECT: AMBASSADOR CROCKER'S MEETINGS WITH DELHI DEFENSE THINKERS AND BUSINESS COMMUNITY

1. (SBU) Summary: Ambassador Crocker's October 4 meeting with strategists focused largely on Indian concerns that Musharraf is continuing Pakistani policies that foster intolerance, a hawkish stance on India, and cross-border terrorism. With business leaders, the emphasis was on recent incremental progress on trade liberalization, the pent up pressure among Indian and Pakistani businesspeople to go further, and government obstacles that impede rapid trade growth, including both countries' restrictive visa policies. End Summary.

Security-Wallahs Concerned Musharraf Hawkish on India

2. (SBU) Ambassador Crocker opened the Institute for Defense Studies and Analysis (IDSA, the Defense Ministry's think-tank)-hosted breakfast roundtable by listing the opposing political forces at work in Pakistan and underlining that President Musharraf is actively engaged on combating terrorism within Pakistan, as well as along Pakistan's border with Afghanistan and in Kashmir. He pointed to Musharraf's address to the cadets at the Pakistan Military Academy, which highlighted the threat of domestic extremism and was devoid of anti-India rhetoric, as an encouraging indicator that Pakistan's attitudes toward India were starting to change in a positive direction.

3. (SBU) The assemblage of retired military officers, diplomats and senior civil servants -- most of whom have been active in Indo-Pak and regional affairs for decades -- argued that Pakistan still had a long way to go to improve relations. The concerns they voiced included:

-- Islamabad's keen focus on Kashmir obstructing economic liberalization and CBMs;

-- Musharraf's accumulation of power and international attention eclipsing progress toward democracy;

-- Persistent hatred of India in Pakistani textbooks.

4. (SBU) Ambassador Crocker reported progress in all these areas. Pakistani businessmen are pressing the government for more open trade with India, and local body elections are showing success in breaking the back of the religious obscurantist political parties, he answered. State textbooks and curricula are also changing, albeit incrementally.

5. (SBU) JNU Professor SD Muni asked whether the US or India could trust Musharraf. Ambassador Crocker answered by describing the current state of play throughout South Asia as "a transformational period" -- for Pakistan, Afghanistan, India, and for relations among these countries and with the US. He continued that this trend includes Musharraf's views on Kashmir, although it is difficult to determine if this is a true transformation, or a change in tactics. Several follow-up comments focused on the role of CBMs on the Indo-Pak dialogue Kashmir: Indians view CBMs as necessary to normalize relations so progress can be made on Kashmir, whereas they perceive that Pakistanis view CBMs as a distraction meant to relegate Kashmir to the back burner.

Facilitate Biz Visas so India Can Trade with Pakistan

6. (SBU) At a lunch hosted by the DCM for business leaders under the auspices of the Federation of Indian Chambers of Commerce and Industry (FICCI), Ambassador Crocker explored opportunities for increased trade and investment flows between India and Pakistan. The consensus among Indian participants was that the business community on both sides of the border are enthusiastic about future prospects for trade and investment with Pakistan but are waiting for a clear political signal from government. The immediate stumbling block is visas. Unless both sides liberalize visa restriction to enable greater person-to-person contact for potential business partners, all other efforts to catalyze cross-border economic activity will languish.

7. (SBU) A decision to facilitate business visas would send a strong political signal to the business community. Subsequent necessary steps would be liberalization of

transport and telecommunications linkages and increased trade facilitation efforts. This, combined with tariff reductions and other restrictions on cross-border trade would have a strong and immediate impact by enabling goods now transshipped via third countries to cross the border directly. The result would be dramatic price reductions and consumer benefit, mainly on the Pakistani side of the border.

Already the Pakistan government has begun to allow import of non-sensitive food products, sugar and some other commodities and has managed to augment shortages and bring down prices by doing so.

18. (SBU) Despite an initial positive economic impact of trade liberalization, there is a strong fear on the Pakistani side that increased imports of Indian manufactured goods would cause economic dislocations and job losses. While Pakistan has good potential to export basic commodities and handicrafts to India, the expectation is that India would benefit disproportionately from trade liberalization and that India would need to offer non-reciprocal concessions to facilitate market access for Pakistani goods if the benefits are to be shared more equally. In the medium-term, good potential also exists for cross-border investment and increased intercompany trade and the positive impact of investment liberalization would probably be exceed that of trade liberalization.

19. (U) Ambassador Crocker has cleared this message.

10. (U) Visit New Delhi's Classified Website:
(<http://www.state.sgov.gov/p/sa/newdelhi/>)
BLAKE